



THE COMMONWEALTH OF MASSACHUSETTS
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SENT ELECTRONICALLY, BY FAX AND MAIL

December 14, 2001

Mary Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

RE: Fitchburg Gas & Electric Light Company, D.T.E. 01-103

Dear Secretary Cottrell:

On December 3, 2001, Fitchburg Gas and Electric Light Company ("Fitchburg" or "Company") filed a petition with the Massachusetts Department of Telecommunications and Energy ("Department") requesting approval of an electric reconciliation mechanism and inflation adjustment. In particular, the Company proposes to:

- decrease its Standard Offer charge¹ (from \$0.06351 to \$0.05626/kWh);
- increase its transition charge (from \$0.01692 to \$0.01801 kWh);
- decrease its transmission charges (from \$0.00632 to \$0.00391/kWh); and to
- implement the statutory decrease in its demand side management and renewable technology charges.

Pursuant to the Department's December 6 Notice of Filing and Request for Comments, the Attorney General hereby files this letter as his Initial Comments on the Company's filing. In these comments, the Attorney General urges the Department to reject any proposal to increase the Company's transition charge that is not supported by the evidence and also reject, until it can

¹ This change is the result of an increase in the proposed base Standard Offer charge of \$0.004 (from \$0.038 to \$0.042) and a decrease in the Standard Offer Fuel adjustment of \$0.01125 (from \$0.02551 to \$0.01426)

be determined whether it should be lower, the proposed change in the Standard Offer Service Fuel Adjustment ("SOSFA").

COMMENTS

1. The Department Should Investigate The Bill Impact Of The Proposal To Increase The Company's Transition Cost Charge

Massachusetts electricity customers are paying high electric bills as a direct result of the recognition of high fuel costs in rates. While the Standard Offer fuel cost reductions reflected in the filings will reduce the bills of customers on Standard Offer service, the Company's proposed increase in transition costs will result in rate increases for competitive supply customers. The Company's filing does not address the bill impact of its proposal on competitive supply customers.² The Attorney General requests that the Department review the impact on all customers, not just Standard Offer customers, prior to approving any increase in transition charges.

The transition charge rate is merely a mechanism to provide for the recovery of past uneconomic costs and does not provide any economic "price signal" for future behavior. The limited review period necessitated by the need to file comments, has revealed that the Company's assumptions in creating these rates have a direct impact on the requested increase in the transition charge rate. For instance, the Company forecasts year to year losses in sales from 2000 to 2001 and anticipates even greater losses in 2002.³ The Company has not provided any justification for its forecast.

The Attorney General urges the Department to reject any increase to the Company's transition charge that is not supported by direct evidence. In addition, given the potential impact of the increases in the transition charge on the competitive market, the Attorney General suggests that the Department revisit the methodology used to calculate these annual reconciliation filing as part of its review of the Company's filing.

2. The Department Should Reject The Proposed SOSFA Rate.

The Company has provided the details of its Standard Offer costs and revenues for the period since the SOSFA was initially approved by the Department. Schedule DJD-1, pp. 5-6.

² This increase will fall disproportionately on the commercial and industrial customers who have committed to a competitive supplier. The Attorney General submits that consideration of the interests of these customers is a especially necessary given current economic conditions.

³ Furthermore, the Company has restated or recast it's Transition, Standard Offer and Default service costs in compliance with the Department's order in D.T.E. 99-110. This restatement is based on a number of complex and inter-related calculations. The time allowed for comments does not allow sufficient time for the Attorney General to determine if the Company has fully complied with the Department's requirements.

This material indicates that under the Company's proposal it anticipates that it will over-collect the SOSFA by more than \$3 million. *Id.* In fact, it appears that the SOSFA over-collection began in August 2001. The Company has "transferred" the pre-January 1, 2001 SOSFA costs⁴ to the Standard Offer Deferral. Schedule MHC-11 and Mr. Debski's Testimony, pp. 7-8. The Department and other interested parties should have the opportunity to review the costs underlying rates charged by the Company to determine if the SOSFA rate should be reduced further. Therefore, the Attorney General urges that the Department not accept any SOSFA for Fitchburg until such time as it determines the appropriate level for effect January 1.

CONCLUSION

The Department should review the bill impacts of the Company's proposed increase in its transition charge to customers taking competitive service and reduce the SOSFA levels to eliminate any possible over collection. Consistent with the Department's past practices in these matters, the Attorney General requests that the Department initiate a formal adjudicatory hearing process in regard to Fitchburg's proposed reconciliations. *See Fitchburg Gas & Electric Light Company*, D. T. E. 99-110, p. 2 (January 5, 2000). "[T]he Department must ensure that the proposed reconciliations are consistent with or substantially comply with the Electric Utility Restructuring Act, Chapter 164 of the Acts of 1997 ("Act"), the company's approved restructuring plan, applicable law, and Department precedent." *Boston Edison Company*, D.T.E. 98-111, p. 4 (October 19, 1999). Therefore, the Attorney General requests that the Department commence an investigation of Fitchburg's reconciliations and proposed tariff changes.

Respectfully,

Joseph W. Rogers
Assistant Attorney General

cc: Patricia French, Esq.
Service List

⁴ This amount appears to be \$2.6 million; but the Company has not provided any details supporting how this amount was determined. Schedule MHC-11, p. 2.

Attachment A

An initial review of Fitchburg Gas & Electric Light Company's Transition Charge reconciliation identified a number of issues that require investigation, including:

- Transaction and Administrative costs proposed to be recovered through the Transition Charge -- Tab D, Page 12, Exhibit 3, page 1, line 8 and Appendix B, page 24, Exhibit 3, page 17;
- Millstone 3 Decommissioning Costs are included in the variable costs even after the proposed date of closing -- Tab D, Page 12, Exhibit 3, page 1, line 9;
- The cost items and their amounts included in the Joint Owned Generation Unit Fuel and O&M -- Tab D, Page 12, Exhibit 3, page 1, line 11;
- The reason that Short-Term Purchases are included in the Transition Charge -- Tab D, Page 12, Exhibit 3, page 1, line 12;
- The items included and the amounts of the Fuel Charge Credit, especially the Millstone 3 Settlement and settlement credit -- Tab D, Page 12, Exhibit 3, page 1, line 17; and
- The calculation of the interest accrual on the proposed under-collections of the Transition Charge -- Tab D, Page 14, Exhibit 3, page 3, lines 12-18.